

Message Text

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ORIGIN AF-18

INFO OCT-01 ADP-00 AGR-20 L-03 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

STR-08 CEA-02 SSO-00 NSCE-00 INRE-00 /150 R

DRAFTED BY AF: DDNEWSOM: BJR

04/23/73 EXT 22530

APPROVED BY AF: DDNEWSOM

EB/ IFD: SWEINTRAUB(SUBST)

AF: RSSMITH

AF/ N: JJBLAKE

EXIM - MR. KEARNS

----- 013157

O 232217 Z APR 73

FM SECSTATE WASHDC

TO USINT ALGIERS IMMEDIATE

C O N F I D E N T I A L STATE 076308

E. O. 11652: GDS

TAGS: ENRG, EFIN, AG

SUBJ: EXIM AND ALGERIA

1. EXIMBANK WILL BE INFORMING MORRISON- KNUDSEN APRIL 23 OF REJECTION LATTER' S APPLICATION FOR PRELIMINARY COMMITMENT OF \$20,000,000 FOR SEED CLEANING EQUIPMENT FOR ALGERIAN MINISTRY OF AGRICULTURE. FYI EXIM HAS APPROVED REQUEST FROM MINISTRY OF AGRICULTURE FOR PRELIMINARY COMMITMENT ON LIVESTOCK PROJECT BECAUSE OF PRIOR EXIM INVOLVEMENT IN NEGOTIATIONS LEADING TO THE APPLICATION. END FYI.

2. WHILE, IN ACCORDANCE NORMAL BANKING PRACTICE, NO REASON WILL BE GIVEN MORRISON- KNUDSEN, DECISION IN FACT REPRESENTS GROWING EXIM CONCERN OVER ALGERIAN ABILITY SERVICE RAPIDLY INCREASING INDEBTEDNESS. THIS CONCERN ALSO INDICATED BY
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IBRD MISSION TO ALGERIA ALSO BEING ASKED EXAMINE DEBT
SERVICING PROBLEM.

3- DEPARTMENT AND EXIM RECOGNIZE THAT REJECTION LOAN
APPLICATION AT THIS TIME, IMMEDIATELY FOLLOWING EL PASO
PROJECT APPROVAL AND NEWSOM DISCUSSIONS RE DIPLOMATIC
RELATIONS RISKS BEING SEEN IN POLITICAL CONTEXT. WE BELIEVE
IT MOST IMPORTANT, THEREFORE, THAT CURRENT CONCERNS AND
BANK'S POLICY BE CONVEYED MINISTER FINANCE MAHROUG.
ACCORDINGLY INTSEC REQUESTED INFORM MAHROUG RE DECISION
ON MORRISON- KNUDSEN LOAN AND CONVEY FOLLOWING MESSAGE FROM

EXIM CHAIRMAN KEARNS TO MINISTER FINANCE MAHROUG:

4. BEGIN QTE I WAS PLEASED RECEIVE FROM ASSISTANT
SECRETARY NEWSOM YOUR EXPRESSIONS CONTINUING INTEREST IN
THE FACILITIES OF THE EXPORT IMPORT BANK. AS I HAVE
INDICATED IN OUR PREVIOUS CONTACTS, THE BANK HAS
ANTICIPATED AN EXTENDED MAJOR RELATIONSHIP WITH ALGERIA'S
DEVELOPMENT IN MANY AREAS. RECENT MAJOR COMMITMENTS
TESTIFY TO THIS.

5. QTE FOLLOWING THESE MAJOR COMMITMENTS, HOWEVER, I
BELIEVE IT IS IN THE INTEREST OF A SOUND RELATIONSHIP
THAT WE EXAMINE FUTURE COMMITMENTS SELECTIVELY AND
CAREFULLY. WITH A RAPID INDUSTRIAL EXPANSION, ALGERIA IS
INCURRING OVER A SHORT PERIOD OF TIME A VERY SUBSTANTIAL
DEBT. YOU ARE, I KNOW, GIVING SPECIAL ATTENTION TO THE
MANAGEMENT OF THIS DEBT. IN VIEW OF OUR MAJOR EXPOSURE
IN ALGERIA IT WILL BE HELPFUL TO ME AND TO THE DIRECTORS
OF THE EXPORT IMPORT BANK TO BE KEPT CURRENTLY INFORMED
REGARDING ALGERIA'S INDEBTEDNESS AND YOUR PLANS AND
POLICIES WITH RESPECT TO THE SERVICING OF THIS DEBT. WE
REMAIN OPEN FOR DISCUSSIONS OF THIS MATTER WITH YOU OR
YOUR REPRESENTATIVES AT ANY TIME.

6. QTE MEANWHILE, WE WILL BE CONTINUING OUR NORMAL
MEDIUM- TERM GUARANTEE AND INSURANCE SERVICES BUT FEEL
THAT UNDER PRESENT CIRCUMSTANCES WE CAN EXPAND OUR PROJECT
LOAN COMMITMENTS TO ALGERIA ONLY ON A MUCH MORE SELECTIVE
AND RESTRAINED BASIS. SUCH A POLICY IS, IN OUR VIEW,
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ESSENTIAL AT THIS TIME TO INSURING A SOUND RELATIONSHIP
BETWEEN US OVER THE YEARS AHEAD. END QUOTE PORTER

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NMAFVVZCZ

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